

1. PROPOSAL TO ENTER INTO TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.510, P.R.C. 3455.1.

After consideration of Calendar Item 1 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION ACCEPTS THE BID MADE BY RICHFIELD OIL CORPORATION, A DELAWARE CORPORATION, ON DECEMBER 9, 1965, AS THE HIGHEST RESPONSIBLE BID RECEIVED, AWARDS THE AGREEMENT AND AUTHORIZES THE EXECUTIVE OFFICER TO ISSUE TO THE ATLANTIC REFINING COMPANY, A PENNSYLVANIA CORPORATION, SUCCESSOR IN INTEREST TO RICHFIELD OIL CORPORATION BY MERGER, THE TRACT NO. 2 AGREEMENT DESIGNATED AS W.O. 5200.510, IN LOS ANGELES COUNTY, AS DETAILED IN THE NOTICE OF INTENTION PUBLISHED OCTOBER 22 AND 26, 1965. THE 37% PERCENTAGE, IN CONSIDERATION OF THE ISSUANCE OF THE AGREEMENT, AS OFFERED IN THE BID, IS TO BE A LIMITED OVERRIDING ROYALTY OR PRODUCTION PAYMENT OF 23.677% OF THE TOTAL VALUE OF OIL AND GAS ALLOCATED TO THE TRACT LANDS COMMENCING JANUARY 1, 1967, AND TERMINATING WHEN, AFTER SAID DATE, THE OIL ALLOCATED TO THE TRACT LANDS UNDER THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, SHALL REACH 6,000,000 BARRELS.

FURTHER, THE COMMISSION AUTHORIZES AND DIRECTS THE EXECUTIVE OFFICER TO EXECUTE THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, ON BEHALF OF THE STATE OF CALIFORNIA, AS TO THE STATE'S PORTION OF THE OFFSHORE AREA.

FURTHER, THE SAID SUCCESSFUL BIDDER IS DIRECTED, WITHIN 15 DAYS OF THIS AWARD AND THE EXECUTION OF THE TRACT NO. 2 AGREEMENT BY THE STATE, TO COMPLETE EXECUTION OF THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, WITH RESPECT TO THE PARCEL INCLUDING TRACT NO. 2, AND WITHIN 15 DAYS OF SUCH AWARD TO EXECUTE AND DELIVER TO THE STATE LANDS COMMISSION THE PERFORMANCE BOND REQUIRED UNDER ARTICLE 24 OF THE TRACT NO. 2 AGREEMENT.

Attachment

Calendar Item 1 (3 pages)

## 1.

PROPOSAL TO ENTER INTO TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.510.

On December 9, 1965, three bids were received in response to a published notice of intention of the State Lands Commission to enter into an agreement with respect to oil and gas allocated or assigned to the parcel including Tract No. 2, Long Beach Unit, Wilmington Oil Field, Los Angeles County. This offer was authorized by the Commission on October 21, 1965 (Minute Item 41, page 11,862). A summary tabulation of the bid-percentage offers received pursuant to the Agreement proposal is attached (Exhibit "A"). This bid percentage is in addition to the 96.25 percent of the net profits attributable to the contractor and paid to the State.

All bids submitted were reviewed by the staff and the staff consultants as to technical sufficiency and economic factors. The Office of the Attorney General reviewed the highest bid submitted by Richfield Oil Corporation, and determined:

- a. That the Commission has complied with the legal requirements in calling for bids;
- b. That the bid submitted conforms with:
  1. The bid requirements as specified in the proposal of the Commission;
  2. The applicable provisions of law; and
  3. The rules and regulations of the Commission.

The covering letter submitted with the Richfield bid states that Richfield and The Atlantic Refining Company, a Pennsylvania corporation, proposed a merger to be effective January 3, 1966, with Atlantic being the surviving corporation. The Office of the Attorney General, after a review of documents submitted by Atlantic, has advised that the fact of the merger does not affect the Richfield bid since Atlantic, as the surviving corporation, will succeed to all rights and obligations of Richfield.

IT IS RECOMMENDED THAT THE COMMISSION ACCEPT THE BID MADE BY RICHFIELD OIL CORPORATION, A PENNSYLVANIA CORPORATION, ON DECEMBER 9, 1965, AS THE HIGHEST RESPONSIBLE BID RECEIVED, AWARD THE AGREEMENT AND AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE TO THE ATLANTIC REFINING COMPANY, A PENNSYLVANIA CORPORATION, SUCCESSOR IN INTEREST TO RICHFIELD OIL CORPORATION BY MERGER, THE TRACT NO. 2 AGREEMENT DESIGNATED AS W.O. 5200.510, IN LOS ANGELES COUNTY, AS DETAILED IN THE NOTICE OF INTENTION PUBLISHED OCTOBER 22 AND 26, 1965. THE BID PERCENTAGE, IN CONSIDERATION OF THE ISSUANCE OF THE AGREEMENT, AS OFFERED IN THE BID, IS TO BE A LIMITED OVERRIDING ROYALTY OR PRODUCTION PAYMENT OF 23.677% OF THE TOTAL VALUE OF OIL AND GAS ALLOCATED TO THE TRACT LANDS COMMENCING JANUARY 1, 1967, AND TERMINATING WHEN, AFTER SAID DATE, THE OIL ALLOCATED TO THE TRACT LANDS UNDER THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, SHALL REACH 6,000,000 BARRELS.

CALENDAR ITEM 1. (CONTD.)

IT IS FURTHER RECOMMENDED THAT THE COMMISSION AUTHORIZE AND DIRECT THE EXECUTIVE OFFICER TO EXECUTE THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, ON BEHALF OF THE STATE OF CALIFORNIA AS TO THE STATE'S PORTION OF THE OFFSHORE AREA.

IT IS RECOMMENDED FURTHER THAT THE SAID SUCCESSFUL BIDDER BE DIRECTED, WITHIN 15 DAYS OF THIS AWARD AND THE EXECUTION OF THE TRACT NO. 2 AGREEMENT BY THE STATE, TO COMPLETE EXECUTION OF THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, WITH RESPECT TO THE PARCEL INCLUDING TRACT NO. 2, AND WITHIN 15 DAYS OF SUCH AWARD TO EXECUTE AND DELIVER TO THE STATE LANDS COMMISSION THE PERFORMANCE BOND REQUIRED UNDER ARTICLE 24 OF THE TRACT NO. 2 AGREEMENT.

Attachment

Exhibit "A"

EXHIBIT "A"

SUMMARY

TRACT 2

<u>Bidder</u>	<u>Bid Percentage Offer</u>
Richfield Oil Corporation	23.677%
Pauley Petroleum Inc.	12.774%
Humble Oil & Refining Company and Texaco Inc.	5.113%